

AR27



**ANNUAL REPORT**

**1968**

**PHILLIPS CABLES LIMITED**





ONE OF THE WORLD'S WONDERS • *In spite of a 16' lean, this tower has stood for 600 years.*

**B**uilt to Stand  
the Test of Time  
...Phillips Cables



SIX FACTORIES  
10 WAREHOUSES COAST TO COAST



*f* *File*  
~~Phillips Cables Limited~~

BROCKVILLE, ONTARIO

ADDRESS OF THE PRESIDENT AT THE ANNUAL  
GENERAL MEETING OF SHAREHOLDERS ON APRIL 26, 1968

At this time, it is usual for the Chairman or the President to make a brief statement, and, in Mr. Torrey's unavoidable absence, I am very pleased to have this opportunity to bring you up to date on the Company affairs since the publication of our Annual Report.

I am not yet in a position to release figures for the first quarter of 1968, as it is our practice to take an inventory at March 31st and the pricing and checking associated with this inventory-taking has to be completed before first quarter results can be calculated.

On the basis of shipments, it is evident that the profits earned in the first quarter of 1968 will be well below the figure for 1967. As mentioned in our Annual Report, however, Orders Entered for the first quarter of this year are considerably better than they have been for the past six months.

We normally experience a seasonal reduction in the months of January, February and March, as very little overhead or underground construction can go on in Canada during this period, so the demand for wire and cable products is at a minimum at this time of year. With the early spring, construction is getting underway more quickly than had been expected, with consequent increased demand for wire and cable products.

One of the most important developments of the last month has been the acquisition of\* the outstanding shares of Dominion Electric Manufacturing Company, Limited, generally known in the trade as "Triangle". The agreement referred to in the Annual Report was completed yesterday and Dominion Electric Manufacturing Company, Limited is now a wholly-owned subsidiary of your Company. All of the issued and outstanding shares in the capital stock of Dominion were purchased for the sum of \$1,829,924.80. None of the stock in your Company was used in this transaction, and the funds required to purchase the shares were available out of the Company's own resources. The acquisition of inventories and accounts receivable has been financed by Dominion through normal banking channels.

You might be interested to know that the new subsidiary owns and occupies a modern factory building in the "Golden Mile" area of Scarborough. The building itself has approximately 180,000 sq. ft. of floor area, with ample office accommodation. There are about 300 employees, who produce a variety of electrical products, including building wire and cable, rigid conduit and electrical metallic tubing, underfloor duct wiring systems, and outlet boxes.

Dominion has a number of branch warehouses and sales offices from Vancouver, B.C. to Moncton, N.B., which will be merged with the Phillips' sales operation as soon as necessary arrangements can be made. The Company has an annual sales volume of approximately \$10-million, and under Phillips' management we are confident will produce satisfactory earnings.

There are a number of benefits to Phillips, such as —

- (a) The addition of important associated product lines which will give increased weight to our sales effort in the building wire field.
- (b) The opportunity to achieve considerable savings through a common Sales force.
- (c) The advantages of increased volume and better opportunities for quantity purchases.
- (d) A well established base in Metropolitan Toronto.

Due to the many political and economic problems which confront Canada today, it is difficult to predict with any degree of assurance what the immediate future holds for your Company. Over the past two years, we have spent over \$8-million in new plants and the most modern equipment available, so that we are in a strong position to take advantage of the upswing in business which will occur when some the present uncertainties disappear.

T. A. LINDSAY,  
President.

Brockville, Ontario,  
April 26, 1968.



## ANNUAL REPORT

For the Year Ended December 31, 1968

### BOARD OF DIRECTORS

DR. W. J. J. CURRY.....	London, England	M. F. W. GREENE.....	Brockville, Ont.
J. K. DAVIS.....	New York, U.S.A.	T. A. LINDSAY.....	Brockville, Ont.
A. L. FERGENSON.....	New York, U.S.A.	J. E. THOMAS.....	Brockville, Ont.
W. FRASER.....	Ayr, Scotland	A. S. TORREY.....	Montreal, Que.
G. GINGRAS.....	Montreal, Que.	J. S. WADDINGTON.....	Brockville, Ont.
AIR MARSHAL H. CAMPBELL.....		Ottawa, Ont.	

### OFFICERS

<i>Chairman</i> .....	A. S. TORREY
<i>Vice-Chairman</i> .....	W. FRASER
<i>President</i> .....	T. A. LINDSAY
<i>Vice-President</i> .....	J. R. PHILIPS
<i>Vice-President</i> .....	J. E. THOMAS
<i>Vice-President</i> .....	J. S. WADDINGTON
<i>Vice-President &amp; Secretary</i> .....	M. F. W. GREENE
<i>Treasurer</i> .....	R. B. WOLTON
<i>Assistant Secretary</i> .....	E. W. REYNOLDS

### MANAGEMENT

<i>Communication Products</i> .....	G. H. GALLIMORE	<i>Power Products</i> .....	R. C. SALKELD
<i>Wire Mill</i> .....	C. L. SHERMAN	<i>Marketing</i> .....	P. H. WYLIE
<i>Vice-President, Triangle Conduit &amp; Cable Canada (1968) Limited</i> .....		C. PRESCOTT	

### AUDITORS

RIDDELL, STEAD, GRAHAM & HUTCHISON  
Montreal, Que.

### TRANSFER AGENT & REGISTRAR

NATIONAL TRUST COMPANY LTD.  
Toronto and Montreal

### BANKERS

CANADIAN IMPERIAL BANK OF COMMERCE

### SOLICITORS

BORDEN, ELLIOT, KELLEY & PALMER  
Toronto, Ont.

## FINANCIAL HIGHLIGHTS

	1968	1967	1966	1965	1964
Sales .....	\$64,497,000	\$59,376,000	\$59,415,000	\$44,489,000	\$37,643,000
Income Taxes .....	\$ (169,000)	\$ 1,803,000	\$ 3,525,000	\$ 2,643,000	\$ 1,564,000
Earnings from Operations	\$ 2,925,000	\$ 3,376,000	\$ 3,539,000	\$ 2,059,000	\$ 1,204,000
Total Earnings .....	\$ 2,450,000	\$ 3,526,000	\$ 3,879,000	\$ 2,199,000	\$ 1,324,000
Dividends Declared .....	\$ 1,109,000	\$ 871,000	\$ 837,000	\$ 386,000	\$ 317,000
Depreciation Charged ...	\$ 1,816,000	\$ 1,225,000	\$ 1,210,000	\$ 1,038,000	\$ 1,124,000
Investment in Fixed Assets	\$ 1,848,000	\$ 4,543,000	\$ 3,726,000	\$ 2,148,000	\$ 736,000
Working Capital .....	\$13,970,000	\$13,066,000	\$12,869,000	\$ 8,479,000	\$ 7,254,000
Shareholders' Equity ....	\$20,820,000	\$19,472,000	\$16,808,000	\$10,474,000	\$ 8,563,000
Shares Outstanding .....	3,959,925	3,958,975	3,956,975	3,235,230	3,202,480
Earnings per Share:					
Operations .....	\$ .74	\$ .85	\$ .89	\$ .64	\$ .38
*Profit (Loss)					
on Inventory ..	(.12)	.04	.09	.04	.03
Total .....	\$ .62	\$ .89	\$ .98	\$ .68	\$ .41
Shareholders' Equity per					
Share .....	\$ 5.26	\$ 4.92	\$ 4.25	\$ 3.24	\$ 2.67

\* Estimated profit or loss realized on inventory due to copper price fluctuations.



## ANNUAL MEETING

The Annual General Meeting of the Shareholders will be held at the Skyline Hotel, Stewart Boulevard, Brockville, Ontario, on April 25th, 1969, at two-thirty o'clock in the afternoon.



# PHILLIPS CABLES LIMITED

Head Office  
Brockville, Ontario  
March 12, 1969

## TO THE SHAREHOLDERS:

Your Directors have pleasure in submitting their 15th Annual Report.

### EARNINGS

Earnings from operations decreased 13.4% compared to 1967, mainly due to the following:

- (1) A market slow-down in mid-year, resulting in a highly competitive situation with attendant depressed price levels which persisted throughout the balance of the year;
- (2) Losses in the operations of the Montreal and Brockville factories culminating in the closure of the Montreal plant with associated non-recurring expenses of \$426,000;
- (3) An increasing level of unfair import competition.

Dividends, amounting to 28 cents per share, were paid during the course of the year.

### SALES

A new sales record of \$64,497,000 was established in 1968, in the face of very keen competition from both foreign and domestic manufacturers.

Prices of most of our products were reduced to meet competitive pressures, so that physical volume of production in 1968 exceeded that of the previous year by a substantial margin.

### OPERATIONS

In 1968 the Company continued to pursue its long-term objective of expanding in desirable markets and abandoning products which have either low profit or limited future.

The commissioning of the new communication cable plant at Rimouski was completed in early 1968, and after a relatively short pre-production period the plant is now operating at a high standard of efficiency.

The acquisition of Triangle Conduit & Cable Canada (1968) Limited added a significant amount of manufacturing capacity in the building wire field, as well as broadening the Company's base through the introduction of electrical conduit and outlet boxes.

The property on which the Montreal plant is located has been under an homologation order for the past several years. Early in October, 1968, the City of Montreal served notice that it intended to expropriate part of the property to provide for a new arterial highway. This development, combined with the fact that the production of the Montreal plant has been unprofitable due to a cost-price squeeze accentuated by unbridled foreign competition, influenced your Directors to take a decision to close down operations in December, 1968. The financial statements include full provision for the closing-down costs.

### COPPER

Over the past few years, when the world copper price was increasing, a tax-paid General Reserve of \$750,000 was set up from profits on inventory to offset future losses on inventory due to copper price decreases.

Wide fluctuations in the world market for copper resulted, on July 2, 1968, in a 6-cent per pound decrease in the Canadian copper producers' price. This decrease has necessitated the transfer of \$475,000 of the Reserve to Retained Earnings to cover the loss on the copper content of all stocks and work-in-process.

Prior to the amendment to the Canada Corporations Act in 1965, the transfers to and from the General Reserve were reflected in the Statement of Earnings for the period in which the profits or losses were realized. The following indicates the Earnings for 1968, excluding the loss sustained from the copper price decrease:

	<u>1968</u>	<u>1967</u>
Earnings .....	\$2,450,000	\$3,526,000
Transfer to Reserve .....	—	(150,000)
Transfer from Reserve .....	475,000	—
Adjusted Earnings .....	<u>\$2,925,000</u>	<u>\$3,376,000</u>

## PERSONNEL

Two-year agreements with the bargaining agents for the hourly-paid employees at Dartmouth and Brockville have been completed. Negotiations are presently in progress at Sentinel and Rimouski.

The employee strength of your Company at the end of 1968 was 1,463, compared with 1,215 a year ago. The increase is due to the acquisition of the Triangle operation, which accounted for 298 employees included in the total figure. The Sentinel plant of Phillips Cables (Western) Limited had 117 employees, which are also included in the Company total.

Your Directors would like to express their appreciation for the continued effort and cooperation of all employees.

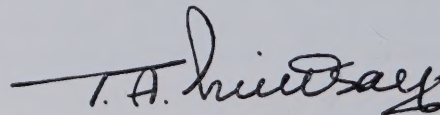
## OUTLOOK

Due to the injurious dumping by foreign manufacturers of electrical equipment in Canada, it has been estimated by the Canadian Electrical Manufacturers Association that 35% of the domestic market for electric power and generation equipment has disappeared to off-shore competitors. This has had, and probably will continue to have, a serious effect on our own sales, in that the wire and cable component of transformers, motors, generators and other equipment ordered abroad, has been lost to Canadian industry. The Federal Government has been made fully aware of the situation, and it is to be hoped that in future any new infractions of the Anti-dumping Code will be dealt with promptly.

During the early months of 1969, prices of most wire and cable products have improved considerably over the distress-selling levels of mid-1968. However, excluding the cost of copper, since 1956 our present prices show a decline compared to the cost of living increase of 28%, and the 80% increase in our wage rates in the same period.

Outside of the constant threat of import competition, and barring the possibility of work interruptions, the outlook for 1969 appears promising. The continued expansion of power and communication systems, which are the largest users of our products, will ensure a growth market for the next several years. Now that housing is receiving top priority attention by Government at all levels, good demand for building wire and associated products of our manufacture is confidently expected.

On behalf of the Board of Directors,



President.



**PHILLIPS CABLES LIMITED**  
AND WHOLLY-OWNED SUBSIDIARIES

**CONSOLIDATED STATEMENT OF EARNINGS**

FOR THE YEAR ENDED DECEMBER 31, 1968

	1968	1967
<b>Sales</b> .....	\$64,496,697	\$59,375,944
Cost of sales, selling and administrative expenses (Note 6) .....	59,685,729	52,220,616
Depreciation .....	1,815,710	1,225,130
Interest and discount on long-term debt .....	486,316	380,173
Remuneration of directors and senior officers .....	227,812	220,630
	<u>62,215,567</u>	<u>54,046,549</u>
<b>Earnings Before Income Taxes</b> .....	2,281,130	5,329,395
<b>Provision for Income Taxes</b> (Note 7)		
Current .....	—	1,220,000
Deferred .....	(169,000)	583,000
	<u>(169,000)</u>	<u>1,803,000</u>
<b>Earnings for the Year</b> .....	<u>\$ 2,450,130</u>	<u>\$ 3,526,395</u>

**CONSOLIDATED STATEMENT OF RETAINED EARNINGS**

FOR THE YEAR ENDED DECEMBER 31, 1968

	1968	1967
<b>Balance at January 1</b> .....	\$ 9,004,315	\$ 6,498,895
Earnings for the year .....	2,450,130	3,526,395
Transfer (to) from general reserve (Note 5) .....	475,000	(150,000)
	<u>11,929,445</u>	<u>9,875,290</u>
Dividends .....	1,108,579	870,975
<b>Balance at December 31</b> .....	<u>\$10,820,866</u>	<u>\$ 9,004,315</u>



CONSOLIDATED

AS AT DEC

ASSETS

Current Assets	1968	1967
Cash .....	\$ 679,072	\$ 431,926
Accounts receivable .....	8,157,044	6,743,188
Income taxes recoverable .....	191,312	—
Inventories at lower of cost and realizable value .....	12,405,791	12,145,025
Prepaid expenses .....	94,647	143,916
	<u>21,527,866</u>	<u>19,464,055</u>
Special Refundable Tax .....	<u>72,043</u>	<u>148,397</u>
Fixed Assets (Note 2) .....	<u>15,996,867</u>	<u>14,612,558</u>
Unamortized Bond Discount .....	<u>123,641</u>	<u>135,599</u>

Signed on behalf of the Board:

T. A. LINDSAY, Director.

GÉRARD GINGRAS, Director.

\$37,720,417 \$34,360,609



**BALANCE SHEET**

DECEMBER 31, 1968

**LIABILITIES**

<b>Current Liabilities</b>	<b>1968</b>	<b>1967</b>
Accounts payable and accrued liabilities .....	\$ 5,531,736	\$ 4,475,565
Income and other taxes .....	354,998	419,740
Dividend payable .....	277,195	277,128
Current maturities of long-term debt .....	44,382	43,017
Deposits held for returnable containers .....	1,349,761	1,182,247
	<u>7,558,072</u>	<u>6,397,697</u>
 <b>Long-Term Debt</b> (Note 3) .....	 8,218,512	 6,715,280
 <b>Deferred Income Taxes</b> .....	 1,124,000	 1,776,000

**SHAREHOLDERS' EQUITY**

<b>Capital Stock</b> (Note 4)		
Authorized — 5,000,000 shares without nominal or par value		
Issued — 3,959,925 shares .....	9,723,967	9,717,317
<b>Retained Earnings</b> .....	10,820,866	9,004,315
<b>General Reserve</b> (Note 5) .....	275,000	750,000
	<u>20,819,833</u>	<u>19,471,632</u>
	 <u>\$37,720,417</u>	 <u>\$34,360,609</u>



**PHILLIPS CABLES LIMITED**  
AND WHOLLY-OWNED SUBSIDIARIES

**CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS**

FOR THE YEAR ENDED DECEMBER 31, 1968

<b>Source of Funds</b>	<b>1968</b>	<b>1967</b>
Earnings for the year .....	\$ 2,450,130	\$ 3,526,395
Transactions not requiring the use of funds:		
Depreciation and net book value of assets retired .....	1,935,291	1,252,659
Amortization of bond discount .....	11,958	11,328
Deferred income taxes .....	(169,000)	583,000
	<u>1,778,249</u>	<u>1,846,987</u>
Funds provided from operations .....	4,228,379	5,373,382
Long-term debt .....	1,750,000	433,748
Special refundable tax .....	87,074	14,535
Issue of capital stock .....	6,650	8,000
	<u>6,072,103</u>	<u>5,829,665</u>
<b>Application of Funds</b>		
Investment in fixed assets .....	1,848,083	4,543,002
Investment in non-current assets of subsidiary .....	1,965,237	—
Dividends .....	1,108,579	870,975
Repayments on long-term debt .....	246,768	218,468
	<u>5,168,667</u>	<u>5,632,445</u>
<b>Increase in Working Capital</b> .....	903,436	197,220
<b>Working Capital at January 1</b> .....	13,066,358	12,869,138
<b>Working Capital at December 31</b> .....	<u>\$13,969,794</u>	<u>\$13,066,358</u>

**PHILLIPS CABLES LIMITED**  
AND WHOLLY-OWNED SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 1968

**1. Principles of Consolidation**

The consolidated financial statements include the financial position and results of operations of Phillips Cables Limited and all wholly-owned subsidiaries. For purposes of comparison, the 1967 figures have been restated to include a wholly-owned subsidiary which had not previously been consolidated. The amounts are not material.

During the year the company acquired a wholly-owned subsidiary, Dominion Electric Manufacturing Company, Limited (name subsequently changed to Triangle Conduit & Cable Canada (1968) Limited). The excess of the net book value of the subsidiary's assets over the cost of acquisition has been applied to the cost of its fixed assets. The consolidated statement of earnings includes the results of operations of this subsidiary from the date of acquisition.

**2. Fixed Assets**

	1968		1967	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land .....	\$ 416,837	\$ —	\$ 385,012	\$ —
Buildings .....	8,896,768	2,958,118	6,655,782	1,604,297
Machinery .....	21,829,985	12,628,239	17,009,956	10,055,160
Construction in progress .....	439,634	—	2,221,265	—
	<u>31,583,224</u>	<u>15,586,357</u>	<u>26,272,015</u>	<u>11,659,457</u>
	<u>\$15,996,867</u>		<u>\$14,612,558</u>	

During the year the company made certain capital expenditures for which it is entitled to a government grant of approximately \$261,000 in accordance with the regulations of the Area Development Incentives Act. This amount has been applied to reduce the cost of the related fixed assets.

**3. Long-Term Debt**

	1968	1967
5¾ % First Mortgage Sinking Fund Bonds Series A due February 1, 1985 .....		
Authorized and issued .....	\$6,500,000	\$6,500,000
Purchased and cancelled .....	350,000	150,000
	<u>6,150,000</u>	<u>6,350,000</u>
7½ % Bank loan — due April 1970 .....	1,750,000	—
6 % Equipment loan .....	49,209	67,606
7½ % Chattel mortgages .....	313,685	340,691
	<u>362,894</u>	<u>408,297</u>
Current maturities .....	44,382	43,017
	<u>318,512</u>	<u>365,280</u>
	<u>\$8,218,512</u>	<u>\$6,715,280</u>

The trust deed provides for sinking fund payments sufficient to retire \$4,700,000 of the Series A bonds by February 1, 1984. The payment due February 1, 1969 has been fulfilled by the purchase and cancellation of \$200,000 of Series A bonds.

The company has the option of prepaying the bank loan in part, or in full, at any time.

(Continued)



**PHILLIPS CABLES LIMITED**  
AND WHOLLY-OWNED SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

DECEMBER 31, 1968

**4. Capital Stock**

During the year options exercisable at \$7 per share on or before April 30, 1970 were granted under the company's incentive stock option plan on 10,000 shares to directors and officers and 15,000 shares to other key employees. 950 shares were issued at \$7 per share.

**5. General Reserve**

\$475,000 has been transferred to retained earnings to offset, net of income taxes, the losses incurred due to fluctuations in inventory values.

**6. Expenses**

Included in expenses are costs of approximately \$426,000 to close down the Montreal plant.

**7. Income Taxes**

Earnings for the year have in the greater part been generated by a wholly-owned subsidiary exempt from income taxes in accordance with the provisions of Section 71A of the Income Tax Act. The period of exemption ends February 28, 1969.

On the acquisition of the new wholly-owned subsidiary a deferred tax debit of \$483,000 was recognized in the consolidated accounts since depreciation recorded in that company's accounts exceeded capital cost allowances claimed for tax purposes.

Tax loss carry forwards of the company's wholly-owned subsidiaries amounting to approximately \$1,250,000 are available to offset future taxable income.

**8. Pension Plans**

The unfunded actuarial liability of the employees' pension plans as at December 31, 1967 was \$2,691,000. During the year the company made payments as recommended by the actuaries to amortize this liability over a period of 21 years from that date.

The increase in the actuarial liability over the previous year was due primarily to the normal retirement age of hourly paid employees at the Brockville and Montreal factories being reduced to 65 from 70 effective December 1967.

**RIDDELL, STEAD, GRAHAM & HUTCHISON**

**CHARTERED ACCOUNTANTS**

630 DORCHESTER BLVD. W.  
MONTREAL 2

**AUDITORS' REPORT**

To The Shareholders  
Phillips Cables Limited

We have examined the consolidated balance sheet of Phillips Cables Limited and its wholly-owned subsidiaries as at December 31, 1968 and the consolidated statements of earnings, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1968 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

**RIDDELL, STEAD, GRAHAM & HUTCHISON**

February 11, 1969



**PHILLIPS CABLES LIMITED**  
AND WHOLLY-OWNED SUBSIDIARIES

**REGIONAL SALES OFFICES & FACTORIES**

**SALES OFFICES**

Region	Office Address	Manager
Atlantic Provinces	Woodside Industrial Park, Dartmouth, N.S.	R. L. Smith
Quebec	265 McArthur St., Ville St. Laurent	A. Roy
Ontario	56 Sparks Street, Ottawa	D. E. Haig
	King Street West, Brockville	
	756 Warden Ave., Scarborough	W. G. Cole
	540 Woodward Avenue, Hamilton	L. V. MacDonald
Manitoba	1236 Sargent Avenue, Winnipeg	W. Walker
Saskatchewan	1335 Wallace Street, Regina	
Alberta	14740 - 119th Ave., Edmonton	A. Sandilands
	3411 - 10th St. S.E., Calgary 24	
British Columbia	8330 Chester Street, Vancouver	S. Elkins
Bahamas	P.O. Box 541, Freeport, G.B.I.	A. F. Miller

**FACTORIES**

Atlantic Provinces	Dartmouth, N.S.	J. A. Fraser
Quebec	Rimouski	J. M. Vinette
Ontario	Brockville	Head Office
	Scarborough	A. E. Beckley
Prairie Provinces	Sentinel, Alta.	J. P. McQue
British Columbia	Vancouver	E. G. Purdy





*\$104 million expansion project . . . MacMillan Bloedel Pulp and Paper Complex – Powell River, B.C.*

**W**HEREVER POWER MUST NOT FAIL  
...PHILLIPS CABLES



SIX FACTORIES  
10 WAREHOUSES COAST TO COAST





*Hallmark*  
*Ch-1-3095*